

WHEEL: Transforming Energy Efficiency Financing

The Warehouse for Energy Efficiency Loans

September 2013

Inside the \$40 B Home Energy Improvement Market

The energy efficiency market spans the reactive replacement market and the proactive performance market.



HVAC
\$18 B



Roofs
\$12.5 B



**Windows
& Doors**
\$9 B



**Home
Performance**
\$0.5B



Leverage Required to Meet Energy Goals

Legislative mandates such as energy efficiency resource standards and renewable portfolio standards have set very ambitious climate goals for states and utilities

- Billions of dollars have been earmarked to facilitate reaching energy efficiency and goals
 - Lawrence Berkeley National Laboratory projects utilities will spend approximately **\$6 to \$10 billion annually** to support energy efficiency programs by 2015, and as much as **\$15.5 billion** by 2025
 - Many states' goals will require investment that dwarfs available subsidy making leverage a critical component of energy programs
- Deploying leveraged subsidies/financing is often more complex than providing rebates or incentives
- WHEEL provides leverage and a 'go to market' solution that offers states and utilities a straightforward pathway to meet their goals

WHEEL Financing Program

The first EE financing platform funded by the investment grade bond market

- Warehouse for Energy Efficiency Loans (WHEEL)
 - A collaboration between Renewable Funding, State of Pennsylvania Treasury, Citigroup Global Markets, and the Energy Programs Consortium that utilizes the RenewFund financing platform to deploy institutional capital for state and utility programs
- Key Features
 - Warehouse facility funded by Citigroup and Pennsylvania Treasury
 - Low/no cost subordinate capital provided by ARRA, utility, and other funds
 - Warehouse repaid via issuance of an investment grade security
 - Unsecured loans; 640+ FICO; Up to 10 year terms
 - Return provided to sponsors who participate in WHEEL



Benefits of WHEEL Approach

- Sustainable source of private capital
 - Simple, efficient way to deploy funds with a sustainable source of private capital
- Convenient, simple, and flexible back-end capital solution
 - Participating in WHEEL is easy and straightforward with standardized documentation
 - WHEEL as the flexibility to support existing programs and allows for programs to be designed to reflect local priorities
- Leverage and Revenue
 - Significant upfront leverage: Sponsor provides credit enhancement, private capital supplies the rest of the funds necessary for loans
 - Can Achieve “Zero Net Subsidy”: Potential for stream of revenue returned to sponsors that exceeds sponsor credit enhancement contribution
- Safe and effective use of public money
 - Sponsor downside risk limited to credit enhancement contribution
- Broadly available product at lower cost
 - 640+ FICO; 5, 7 & 10 year terms;
 - Baseline rate to borrower <10%

Kentucky Leadership on EE Finance

- Kentucky Home Performance: Statewide Home Performance with Energy Star Program
 - Financing: Unsecured and Secured
 - Single measure and incentivized whole house
 - WHEEL will provide private capital for unsecured financing
 - Energy evaluation software
 - Contractor network: “Contractor-centric” Program
 - Integration with utilities
 - Training and certification
- Started as ARRA-funded program in 2010 with rebates in financing
- Re-launched as financing focused program in 2013
 - Funds to support financing provided through TVA and Kentucky Housing Corp.

Moving Forward

- For more information on Kentucky's Program:

Andrew Isaacs

Program Manager

Kentucky Housing Corporation

502-564-7630 ext.483

aisaacs@kyhousing.org

- For more information on WHEEL:

Cisco DeVries

President and CEO

Renewable Funding

510-451-7902

cisco@renewfund.com